

Life Plans/GBS Insurance

Life Settlement Brokerage Division

Why Certified Public Accountants should know about Life Settlements

Life settlements are a relatively new financial planning tool for financial advisors, attorneys, certified public accountants and other professionals serving the senior and charitable marketplaces. This new financial planning tool now allows senior policy owners to tap previously unrealized value in their unwanted, unaffordable, or underperforming life insurance policies. This asset can now be liquidated for a fair market value and redistributed to address the current financial planning goals of the owner. Whether the current needs are long-term care, retirement income, charitable giving, a new life insurance policy, or simply a vacation, make sure you understand the opportunities a life settlement may provide your valued clients.

“Financial professionals need to understand this market and the opportunities and obligations it brings them.” - Trust & Estates, 2002

“CPAs can help both individual and corporate clients or employers sell the right to collect on these otherwise dormant assets in the aftermarket.” - Journal of Accountancy, 2001

The growing life settlement market is a great opportunity for CPAs who are serving both affluent seniors as well as corporate clients. It is very important that as a CPA you have an understanding of the life settlements and their potential applications.

Life Settlements for High Net Worth Seniors:

As a CPA, you should be able to assist your clients in understanding the value of all the assets in their portfolio. If your senior clients maintain insurance policies that they no longer need, can afford, or are in danger of lapsing in the future, you can assist them in appraising the true value of that policy in the secondary market. This new understanding of the real value of this asset may have substantial impact on their financial situation.

Life Settlements can also provide the solution to other financial planning objectives:

Some of these would include allowing your client flexibility for other investments, freeing cash for emergencies or anything else they might see fit to use it for, providing the ability for charitable giving, and providing someone the finances required for long term care.

Business Applications for Life Settlements:

You also will want to be aware of the business applications for Life Settlements. Most business owners own life insurance policies to protect for the loss of key employees, fund buy-sell agreements, fund executive benefit plans, and/or secure loans. However, when these needs no longer exist due to retirement, change of ownership, or other factors, what happens to the policies? Unfortunately, many times these policies are surrendered or allowed to lapse because they are no longer needed and considered to have little or no value. This is especially true when term insurance is used for these purposes. As a CPA advising businesses, you can help them discover that this asset may actually have a hidden value in the secondary market.

Anytime a client over age 70 is planning to lapse or surrender a life policy, there is potential for a settlement option. This provides CPAs, attorneys and financial professionals with another “arrow in the quiver” to help serve their clients. Understanding how and when life settlements work is the responsibility of any advisor that serves the senior market.

Contact me today to learn more about Life Settlements and how your business may benefit from this new financial planning tool.

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